

Message Text

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ACTION NEA-10

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SUBJECT: MRS. GANDHI AND CABINET MINISTERS DISCUSS ECONOMIC
POLICIES

REF: NEW DELHI 17277

SUMMARY. IN A CONGRESS PARTY "DEBATE" WHICH CULMINATED IN THE
PASSAGE OF ITS ECONOMIC RESOLUTION (REFTEL), PRIME MINISTER GANDHI
DENIED THAT THE GOVERNMENT'S ECONOMIC POLICIES WERE SHIFTING
RIGHTWARDS. SHE STRESSED THAT ITS MAJOR GOAL CONTINUED TO BE THE
REMOVAL OF POVERTY WITHIN THE FRAMEWORK OF INDIAN SOCIALISM
AND WARNED THAT THE PRIVATE SECTOR MUST BE SOCIALLY RESPONSIBLE.
MRS. GANDHI AND SEVERAL MINISTERS POINTED OUT THE ECONOMIC BENE-
FITS IN THE WAKE OF THE EMERGENCY. END SUMMARY.

1. IN A WIDE RANGING DISCUSSION OF ECONOMIC MATTERS AT THE CON-
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GRESS PARTY MEETING ON DECEMBER 30, THE PRIME MINISTER SAID THAT

THE GOI REMAINED COMMITTED TO PREVIOUS ECONOMIC POLICIES. SHE REPORTEDLY STATED: "THERE IS NO LURCH TO THE RIGHT. I DO NOT BELIEVE IN RIGHT OR LEFT". SHE STRESSED THAT THE GOVERNMENT'S MAJOR AIM WAS TO ELIMINATE POVERTY, NOT THROUGH CAPITALISM, BUT BY MEANS OF SOCIALISM, WHICH SHE DEFINED AS EQUAL OPPORTUNITIES FOR ALL. MRS. GANDHI WARNED THE PRIVATE SECTOR THAT IT HAD AN OBLIGATION TO SOCIETY AND THAT IF IT WERE NOT RESPONSIVE, THE GOVERNMENT WOULD ENFORCE ANY NECESSARY MEASURES TO OBTAIN COOPERATION. PRIVATE FIRMS WERE MISTAKEN IF THEY BELIEVED THEY COULD STILL INDULGE IN ILLEGAL ACTIVITIES AND THWART PRODUCTION.

2. THE PRIME MINISTER RECITED THE NOW STANDARD LIST OF FAVORABLE ECONOMIC DEVELOPMENTS RESULTING FROM THE EMERGENCY: INCREASED DISCIPLINE, LABOR PEACE, HIGHER INDUSTRIAL PRODUCTION, IMPLEMENTATION OF LAND REFORM MEASURES (ALTHOUGH SHE NOTED THAT SOME STATES WERE NOT MOVING FAST ENOUGH), AND ANTI-SMUGGLING AND CORRUPTION DRIVES. SHE ADMITTED THAT MUCH OF THE 20 POINT PROGRAM WAS NOT NEW, BUT CLAIMED THE EMERGENCY HAD ALLOWED THE GOVERNMENT TO BEGIN IMPLEMENTING ITS POLICIES.

3. SIX MINISTERS REPORTEDLY PARTICIPATED IN THE ECONOMIC "DEBATE". MINISTER OF INDUSTRIES PAI WAS HARSH IN TELLING PRIVATE SECTOR FIRMS THAT THEY MUST NOT RELY ON THE GOI TO GIVE THEM ARTIFICIAL PROPS TO PERPETUATE A SELLERS' MARKET. "WE WANT IT TO BE A BUYERS' MARKET". PAI REITERATED HIS CALL FOR THE PRIVATE SECTOR TO BE EFFICIENT AND SOCIALLY RESPONSIBLE. HE ALSO SPOKE ABOUT THE NEED TO EXPAND THE PUBLIC SECTOR. AGRICULTURE MINISTER JAGJIVAN RAM DISCUSSED, INTER ALIA, THE IMPORTANCE OF REVENUE AND BANKING, PRANAB MUKHERJEE, REVEALED THAT TAXES DISCLOSED UNDER THE VOLUNTARY SCHEME HAD AMOUNTED TO RS.4.5 BILLION. (WE EXPECT THAT THE FINAL FIGURE WILL BE SOMEWHAT HIGHER WHEN THE DISCLOSURE SCHEME EXPIRES TODAY.) MUKHERJEE ALSO SAID THAT SINCE THE EMERGENCY FOREIGN EXCHANGE REMITTANCES FROM INDIANS OVERSEAS HAD INCREASED FROM RS.710 MILLION TO RS.1.21 BILLION PER MONTH. HEALTH MINISTER KARAN SINGH STATED THAT THE GOI WOULD SOON BE PROPOSING NEW INCENTIVES AND DISINCENTIVES TO INTENSIFY ITS FAMILY PLANNING PROGRAM AND REPORTEDLY WARNED THAT, IN CONTRAST TO PAST RELIANCE ON VOLUNTARY MEASURES, SOME "SLIGHT PRESSURES" WERE NECESSARY TO CHECK POPULATION GROWTH.

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4. COMMENT. MRS. GANDHI CONTINUES TO USE RHETORIC REGARDING INDIAN SOCIALISM. HER REMARKS DEMONSTRATED MOST CLEARLY THE ESSENTIALLY PRAGMATIC NATURE OF HER ECONOMIC POLICIES, ALTHOUGH BUSINESSMEN MAY NOT FIND SOME OF HER COMMENTS REASSURING. PARTY LEADERS WERE NOT SHY IN EXTOLLING THE ECONOMIC BENEFITS RESULTING FROM THE EMERGENCY - A POSITION WHICH HAS SOME JUSTIFICATION. SAXBE

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